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PRESIDENT'S MESSAGE.

To the Senate and House of Representatives:

The year that has passed since the submission of my last message to congress has, especially the latter portion of it, been an eventful one to the country. In the midst of general national prosperity, a financial crisis has occurred that has brought low the fortunes of the great. Political partisanship has almost ceased to exist, especially in the agricultural region, and, finally, the capture upon the high seas of a vessel bearing our flag has, for a time, threatened the most serious consequences, and has agitated the public mind from one end of the country to the other. But this, happily, is in the course of satisfactory adjustment honorable to both nations concerned. The

FOREIGN RELATIONS. The United States, however, with most of the other nations continue to be friendly as well as cordial. With France, Germany, Russia, Italy, and the minor European powers; with Brazil, and most of the South American republics, and with Japan, nothing has occurred during the year to demand special notice. The correspondence between the department of state and various diplomatic representatives, in or from those countries, is transmitted herewith.

In executing the will of congress, as expressed in its joint resolution of the 4th of February last, and in accordance with the provisions of that resolution, a number of practical artists and scientific men, and of honorary commissions, were authorized to attend the

EXPOSITION AT VIENNA, as commissioners on the part of the United States. It is believed that we have obtained the object which congress had in view when it passed a joint resolution in order to enable the people of the United States to participate in the advantages of the international exhibition of the products of agriculture, manufactures and the fine arts, to be held at Vienna. I take pleasure in adding that the American exhibitors have received a gratifying number of diplomas and of medals. During the exposition a conference was held at Vienna for the purpose of consultation on the systems prevailing in different countries for the perfection of inventions. I authorized the representative of the patent office to be present at Vienna at the time when this conference was to take place, in order to aid, as far as he might, in securing any possible additional protection to American inventors in Europe. The report of this agent will be laid before congress. It is my pleasant duty to announce to congress that the emperor of China, attaining his majority, received the diplomatic representatives of the western powers in person. An account of these ceremonies, and of the interesting discussions which preceded them, will be found in the documents transmitted herewith. The accompanying papers show that some advance, although slight, has been made during the past year towards the suppression of the infamous Chinese opium trade. I recommend congress to inquire whether additional legislation be not needed on this subject.

ALABAMA AWARD. The money awarded to the United States by the tribunal of arbitration at Geneva was paid by her majesty's government a few days in advance of the time when it would have become payable according to the terms of the treaty. In compliance with the provisions of the act of March 3, 1873, it was used to pay into the treasury and was applied to the purpose of auditing and determining the amounts of the several direct losses growing out of the destruction of vessels and their cargoes by the Alabama and Shenandoah after leaving Melbourne, for which the sufferers have received no equivalent or compensation, and of ascertaining the names of persons entitled to receive compensation for the same, making the computation on the basis in which the tribunal of arbitration at Geneva, and that the payment of such losses be authorized to an extent not to exceed the awards of the tribunal at Geneva.

BRITISH BOUNDARY. By an act approved on the 14th of February last, congress made provision for completing jointly with an officer or commissioner to be named by Her Britannic majesty, the determination of so much of the boundary line between the territory of Great Britain as was left incomplete by the commissioners appointed under the act of congress of Aug. 11, 1856. Under the provisions of this act, the northwest boundary of the United States has been determined and marked in accordance with the award of the emperor of Germany. A protocol and a copy of the map on which the line was thus marked are contained in the papers transmitted herewith.

I also transmit a copy of the report of the commissioners for marking the boundary of the line between the United States and the British possessions, west of Lake of the Woods, and of the operations of the commissioners. During the past season surveys have been made to a point 207 miles west of the Lake of the Woods, leaving about 350 miles to be surveyed, the field work of which can be completed during the next season.

COTTON CLAIMS. The commissioners organized under the provisions of the treaty of Washington, for the settlement and determining of the claims of citizens of either power against the other, arising out of acts committed against their persons or property during the period between April 13, 1861, and April 2, 1865, made its final report on the 25th day of September last. It was awarded that the government of the United States

should pay to the government of her Britannic majesty, within twelve months from the date awarded the sum of \$1,929,819 in gold. The commissioners disallowed or dismissed all other claims of British subjects against the United States. The amount of the claims presented by the British government, but disallowed or dismissed, is understood to be about \$93,000,000. It also disallows all the claims of the United States against Great Britain, which were referred to it. I recommend the early passing of an act appropriating the amount necessary to pay this award against the United States.

I have caused to be communicated to the government of the king of Italy the thanks of this government for the eminent services rendered by Count Ciani as the third commissioner on this commission. With dignity, learning and impartiality he discharged duties requiring great labor and constant patience to the satisfaction of both governments.

AND STILL THEY COME. I recommend legislation to create a special court to consist of three judges, who shall be empowered to hear and determine all claims made upon the United States arising out of acts committed against their persons or property during the insurrection. The recent conference under the treaty of Washington was confined to the claims of British subjects, arising during the period named in the treaty, but it is understood there are other British claims of a similar nature arising after the 9th of April, 1865, and it is known that other claims of a like nature are advanced by the citizens or subjects of other powers. It is desirable to have these claims also examined and disposed of.

OUR ANTIPODES. Official information being received from the Dutch government of a date of war between the king of the Netherlands and the sultan of Achcen, the officers of the United States who were near the seat of war were instructed to observe an impartial neutrality. It is believed that they have done so.

MEXICAN MARAUDERS. The joint commission under the treaty with Mexico of 1866, having again been legally prolonged, has resumed its business, which it is hoped may be brought to an early conclusion. The distinguished minister at Washington has kindly consented, with the approval of his government, to assume the arduous and responsible duties of umpire in this commission, and to lend the weight of his character and name to such decisions as may not receive the acquiescence of both the arbitrators appointed by the respected governments. The commissioners appointed to examine the authority of congress to examine into the nature and extent of the forays by trespassers from that country upon the herds of Texas, have made a report, which will be submitted for your consideration.

A VENEZUELAN HEIR. The Venezuelan government has been apprised of the sense of congress in regard to the award of the joint commission under the convention of the 25th of April, 1866, as expressed in the act of the 25th of February last. It is apprehended that the government does not realize the character of its obligations under that convention. As there is reason to believe, however, that its hesitancy in recognizing them spring in part, at least, from a real difficulty in discharging them in connection with its obligations to other governments, the expediency of further forbearance on our part is believed to be worthy of your consideration.

THE TURK. The Ottoman government and that of Egypt have latterly shown a disposition to relieve foreign consuls of the judicial powers which heretofore they have exercised in the Turkish dominions, by organizing other tribunals. As consuls, however, has by law provided for the discharge of judicial functions by consuls of the United States at that quarter, under the treaty of 1830, I have not felt at liberty formally to accept the present change without the assent of congress, whose decision upon the subject, at as early a period as may be convenient, is requested.

SANTO DOMINGO. I transmit herewith your consideration and determination of congress an application of the republic of San Domingo to this government to exercise a protectorate over that republic. Since the adjournment of congress the following treaties with foreign powers have been proclaimed: A naturalization convention with Denmark, a convention with Mexico for renewing the claims committed to a joint commission of shipping, commerce and extradition with the Orange free States, and a naturalization convention with Ecuador.

POSTMASTERS' COMMISSIONS. I renew a recommendation made in my message of December, 1870, that congress authorize the postmaster-general to issue all commissions to officials appointed through his department.

ASSISTING ATTENTION OF CONGRESS TO THE EXISTING LAWS OF THE UNITED STATES, respecting expatriation or the selection of nationality by individuals. Many citizens of the United States reside permanently abroad with their families. Under the provisions of the act approved Feb. 10th, 1855, the children of such persons are to be deemed and taken to be citizens of the United States, but the rights of citizenship are not to descend to persons whose fathers never resided within the United States. It thus happens that persons who have never resided within the United States are enabled to put forward a pretension to the protection of the United States against the claim of military service of the government under whose protection they were born and have been reared. In some cases unnaturalized citizens of the United States have returned to the land of their birth to remain there, and their children, the issue of a marriage contracted there after their return, and who have never been within the United States, have claimed to our protection when the lapse of many years have imposed upon them the duty of military service to the only government which had ever known them personally. Until the year 1868 it was left embarrassed by conflicting opinions of courts and jurists, to determine how

far the doctrine of perpetual allegiance derived from our former colonial relations with Great Britain was applicable to American citizens. Congress then wisely swept these doubts away by enacting that any declaration, instruction, opinion, order or decision of any officer of this government which denies, restricts, impairs or questions the right of expatriation, is inconsistent with the fundamental principle of this government. But congress did not enact in that statute, nor has it since done so, what acts are to be deemed to work expatriation. For my own guidance in determining such questions, I required, under the provisions of the constitution, the opinion in writing of the principal officer in each of the executive departments upon certain questions relating to this subject. The result satisfies me that further legislation has become necessary. I therefore commend the subject to the consideration of congress. I transmit herewith copies of the several opinions of the principal officers of the executive departments, together with other correspondence and prominent information on the same subject. The United States, who led the way in the overthrow of the feudal doctrine of perpetual allegiance, are among the last to indicate how their own citizens may elect another nationality. The papers submitted herewith indicate what is necessary to place us on a par with other leading nations in liberality of legislation on this international question. We have already in our treaties assented to the principles which would be embodied in laws intended to accomplish such results. We have agreed that citizens of the United States may cease to be citizens, may voluntarily resume allegiance to other powers. We have agreed that residence in a foreign land without intent to return, shall of itself work expatriation. We have agreed in some instances upon the length of time necessary for such intent. I invite congress to mark out and define when and how expatriation can be accomplished; to regulate by law the condition of American women marrying foreigners; to fix the status of children born in a foreign country of American parents residing more or less permanently abroad, and to fix rules for determining such other kindred points as may seem best to congress.

SPANISH CITIZENS—PUT THEM TO THE TEST. In compliance with the request of congress, I transmitted to the American minister at Madrid, with instructions to present it to the Spanish government, the joint resolution approved on the 2d of March last, tendering to the people of Spain, in the name and on behalf of the American people, the congratulations of congress upon the efforts of a candidate to assume the principles of universal liberty in a republican form of government. The existence of this new republic was inaugurated by striking the fetters from the slaves in Porto Rico. This beneficent measure was followed by the release of several thousand persons illegally sold as slaves in Cuba. Next the captain-general of that colony was deprived of the power to set aside the laws of his superiors at Madrid, which had pertained to the office since 1825. The sequestered estates of American citizens, which had been the cause of long and frequent correspondence, were ordered to be restored to their owners. All these liberal steps were taken in the face of violent opposition directed by the reactionary slaveholders of Havana, who are vainly striving to destroy the march of reform.

THE MARCH OF REFORM, which has terminated slavery in Charleston, Cuba only excepted. Unhappily, however, this beneficial influence has thus far succeeded in defeating the efforts of all liberal minded men in Spain to abolish slavery in Cuba, and in preventing the promised reform in that island. The struggle for political supremacy continues. The orders of his majesty the king are gradually asserting themselves in more and more open hostility and defiance of the home government, while it still maintains a political connection with the republic in the peninsula, and although usurping and defying the authority of the home government, whenever such usurpation or defiance tends in the direction of oppression, or of the maintenance of slavery views, it is still a power in Madrid and recognized by the government. Thus, an element more dangerous to continued colonial relations between Cuba and Spain than that which inspired the insurrection at Yara, an element opposed to granting any relief from misrule and abuse, with no aspiration after freedom, commanding no sympathies in generous breasts, having rivet still stronger the shackles of slavery, and has thus far been the cause of the emblems of power in Cuba, and, under professions of loyalty to the mother country, is exhausting the resources of the island, and is doing acts which are at variance with those principles of justice, of liberty, and of right which give nobility of character to a republic. In the interests of humanity, of civilization and of progress, it is to be hoped this evil influence may be averted.

THE STEAMER VIRGINIA was, on the 26th day of September, 1870, duly registered at the port of New York as a part of the commercial marine of the United States. On the 4th of October, 1870, having received a certificate of her register in the usual legal forms, she sailed from New York, and has since been within the territorial jurisdiction of the United States. On the 31st day of October last, while sailing under the flag of the United States on the high seas, she was forcibly seized by the Spanish gunboat Tornado, and was carried into the port of Santiago de Cuba, where many of her passengers and crew were inhumanly, and so far at least as to those who were citizens of the United States, were without due process of law, put to death. It is a well established principle asserted by the United States from the beginning of their national independence, recognized by Great Britain and other maritime powers, and stated by the senate in a resolution passed unanimously on the 16th of June, 1858, that American vessels on the high seas in time of peace, bearing the American flag, remain under the jurisdiction of the country of which they belong, and therefore any visitation, molestation or obstruction of such vessel by force on the part of a foreign

power is in derogation of the sovereignty of the United States. In accordance with this principle, the restoration of the Virginia and the surrender of the survivors of her passengers and crew, and a due reparation of the flag and the punishment of the authorities who had been guilty of the illegal acts were demanded.

CASTLEMAN'S CONCESSIONS. The Spanish government has recognized the justice of the demand and has arranged for the immediate delivery of the vessel and for the surrender of the survivors of the passengers and crew, and for a salute to the flag and for proceedings looking to the punishment of those who may be proved to have been guilty of illegal acts of violence towards citizens of the United States, and also towards indemnifying those who may be shown to be entitled to indemnity. A copy of a protocol of the conference between the secretary of state and the minister, in which the terms of this arrangement were agreed to, will be transmitted herewith. The correspondence on this subject with the legation of the United States in Madrid, and the verification of the actual text of the correspondence. It has seemed to me to be due to the importance of the case not to submit this correspondence until the accurate text can be received by mail. It is expected shortly and will be submitted when received.

In taking leave of this subject for the present, I wish to renew the expression of my conviction that the existence of African slavery in Cuba is a principal cause of the lamentable condition of the island. I do not doubt that congress shares with me the hope that it will soon be made to disappear and peace and prosperity may follow its abolition. The embargoing of American estate in Cuba, the cruelty to American citizens detected in no act of hostility to the Spanish government, the murdering of prisoners taken with arms in their hands, and finally the capture upon the high seas of a vessel sailing under the United States flag and bearing a United States registry has culminated in an outburst of indignation that has seemed for a time to threaten war.

In the negotiations between the United States and the government of Spain on the subject of this capture I have authorized the secretary of the navy to put our navy on a war footing to the extent at least of the entire annual appropriation for that branch of the service, trusting to congress and the public opinion of the American people to justify my action.

CURRENCY. Assuming from the action of the last congress appointing a committee on privileges and elections to prepare and report to this congress a constitutional amendment to provide a better method of electing president and vice-president of the United States, and also from the necessity of such an amendment, that there will be submitted to the state legislatures for ratification, such an amendment to our constitution, I suggest two others for your consideration.

1. To authorize the executive to approve or disapprove of any measure passed by the two houses of congress, as his judgment may dictate, without approval of the whole, the disapproved portion or portions to be subjected to the same rules as now, to-wit: to be referred back to the house in which the measure was originated, and if passed by a two-third vote of the two houses then to become the law without the approval of the president. I would add to this provision that there should be no legislation by congress during the last twenty-four hours of its sitting, except upon votes, in order to give the executive an opportunity to disapprove or disapprove of any measure.

2. To provide by amendment that when an extra session of congress is convened by executive proclamation, the legislation during the continuance of such extra session shall be confined to such subjects as the executive may bring before it from time to time in writing.

The advantages to be gained by these two amendments are obvious. One session in each year is provided for by the constitution in which there are no restrictions as to the subjects of legislation by congress. If more are required it is always in the power of congressmen during their term of office to provide for sessions at any time. The first amendment would protect the public against the many wastes of public money which creep into appropriation bills and other important measures during the expiring hours of congress, which otherwise consideration cannot be given.

THE RECEIPTS OF THE GOVERNMENT from all sources for the fiscal year were \$33,738,204, the expenditures on all accounts \$29,245,250, thus showing an excess of receipts over expenditures of \$4,492,954. But it is not probable that this favorable exhibit will be shown for the present fiscal year. Indeed, it is very doubtful whether, except with great economy on the part of congress in making appropriations, and the same economy in the administration in administering the various departments of government, the revenues will not fall short of meeting the annual expenses including interest on public debt.

I commend to congress such economy, and point out two sources where it seems to me it might commence, to-wit: In the appropriations for public buildings in the many cities where work has not been commenced; and in the appropriations for river and harbor improvements are of but little benefit to general commerce, and for fortifications. There is a still more fruitful source of expenditure which I will point out later in this message. I refer to the easy method of manufacturing claims for losses incurred in the suppression of the late rebellion.

I would not be understood as in opposition to the erection of good, substantial or even ornamental buildings by the government wherever such buildings are needed. In fact, I approve of the government owning its own buildings in all sections of the country, and hope the day is not far distant when it will not only possess them, but will erect in the capital suitable residences for all persons who now receive commutation for quarters or rental at government expense and for the cabinet, thus setting an example for the states, which

may induce them to erect buildings for their senators. But I would have this work conducted at times when the resources of the country would abundantly justify it. The resources have materially fallen off for the last five months of the present fiscal year from what they were expected to produce, owing to

THE GENERAL PANIC now prevailing, which commenced about middle of September last. The full effect of this disaster, if it should not prove to be a blessing in disguise, is yet to be demonstrated. In either event it is your duty to heed the lesson, and provide by wise and well considered legislation, as far as it lies in your power, against its recurrence, and to take advantage of all the benefits that may have accrued. My own judgment is that however much individuals may have suffered, one long step has been taken toward specie payments; that we can never have permanent prosperity until an entire basis is reached, and that a specie basis cannot be reached and maintained until our exports (exclusive of export pay for our imports, our interest due abroad, and other specie obligations, so heavy as to leave an appreciable accumulation of the precious metals in the country from the products of our mines. The development of the mines of precious metals during the past year, and the prospective development of them for years to come, are gratifying as regards results. Could but one-half of the gold extracted from the mines be retained at home, our advance toward specie payment would be rapid. To increase our exports sufficient currency is required to keep all the industries of the country employed. Without this, national as well as individual bankruptcy must ensue.

Under inflation, on the other hand, while it might give temporary relief, would only lead to an inflation of prices, the impossibility of competing in our markets for the products of home skill and labor and repeated renewals of present experiences. Elasticity of our circulating medium, therefore, and just enough of it to transact the legitimate business of the country and keep all the industries employed, is what is most desired. The fact is, specie is the recognized medium of exchange the world over. That obtained, we shall have a currency of such a degree of elasticity. If there be too much of it for the legitimate purposes of trade and commerce, it will flow out of the country; if too little, the reverse will result. To hold what we have and to appreciate our currency to that standard is the

PROBLEM.

deserving of the most serious consideration of congress. The experience of the present panic has proven that the currency of the country, based as it is upon the credit of the country, is the best that has ever been devised. Usually in times of such trials the currency has become worthless or so much depressed in value as to inflate the values of all the necessities of life as compared with the currency. Every one holding it has been anxious to dispose of them on any terms. Now, we witness the reverse. The holders of currency heard it as they did gold in former experiences of a like nature. It is patent to the most casual observer that much more currency is required to transact the legitimate trade of the country during the fall and winter months when the vast crops are being removed than during the balance of the year. With the present system, the amount in the country remains the same throughout the entire year, and results in an accumulation of all the surplus of the country in a few centers when not employed in the moving of crops, tempted there by the offer of interest on call loans. Interest being paid, this surplus capital must earn this interest paid with a profit. Being subject to call, it cannot be loaned only in part at least to the merchant or manufacturer, for a fixed loan. Hence, no matter how much currency there might be in the country it would be absorbed, prices keeping pace with the volume, and panics of stringency and disaster would ever be recurring with the autumn. Elasticity in our money system, therefore, is the object to be obtained first, and next to that, as far as possible, prevention of its use in stock and other species of speculation. To prevent the latter it seems to me that one great step would be taken by

PROHIBITING THE NATIONAL BANKS from paying interest on deposits, by requiring them to hold their reserves in their own vaults, and by forcing them into resumption, though it would be only in legal tender notes. For this purpose I would suggest the establishment of a clearing house for your consideration.

TO SECURE ELASTICITY. To secure the former, many plans have been suggested, most, if not all of which, look to me like inflation on the one hand or compelling the government on the other to pay interest without corresponding benefits upon the surplus funds of the country during the seasons when otherwise unemployed. I submit for your consideration whether this difficulty might not be overcome by authorizing the secretary of the treasury to issue at one time to the national banks of issue any amount of their notes below a fixed per centage of their issue, say forty per cent, upon the banks depositing with the treasurer of the United States an amount of government bonds equal to the amount of notes demanded, the banks to forfeit to the government say four per cent, on the interest accruing on the bonds so pledged, during the time they remain with the treasury, as security for the increase of circulation; the bonds so pledged to be redeemable by the banks at their pleasure, either in whole or in part, by returning their own bills for cancellation to an amount equal to the face of the bonds withdrawn. I would further suggest for your consideration the propriety of authorizing the National banks to diminish their standing issues at pleasure, by returning for cancellation their own bills, withdrawing so many United States bonds as are pledged for the bills returned.

FREE BANKING—SPECIE RESERVES. In view of the great actual contraction that has taken place in the currency, and the comparative contraction constantly going on, due to the increase of speculation, the increase of manufactures and all the industries, I don't be-

lieve that there is too much of it now for the dullest period of the year. Indeed if clearing houses should be established, thus forcing redemption, it is a question for consideration whether banking should not be made free, retaining all the safeguards now required to secure bill holders in any modification of present laws regulating the national banks; and as a further step towards paying the way for resumption of specie payments, I invite your attention to the consideration of the propriety of exacting from them the retention, as a part of their reserve, either the whole or a part of the gold interest accruing upon the bonds pledged as security for their issue. I have

NOT REPLIED ENOUGH on the bearing this might have in producing a security of coin with which to pay duties on imports, to give it my positive recommendation, but your attention is invited to the subject.

INVERSE CONTRACTION. During the last four years the currency has been contracted directly by the withdrawal of three per cent, certificates of interest notes and 720 bonds outstanding on the 4th of March, 1869, all of which took the place of legal tenders in the bank reserves to the extent of \$63,000,000. During the same period there has been a much larger comparative contraction of the currency. The population of the country has largely increased. More than twenty thousand square miles of land have been built, requiring the active use of capital to operate them. Millions of acres of land have been opened to cultivation, requiring capital to move the products. Manufacturers have multiplied beyond all precedent in the same period of time, requiring capital weekly for the payment of wages and for the purchase of material, and probably the largest of all was the comparative contraction arising from the organization of free labor in the south. Now, every laborer receives his wages, and for want of savings banks the greater part of such wages is carried in the pocket or hoarded till required for use.

These suggestions are thrown out for your consideration without any recommendation that they shall be adopted literally, but hoping that the best method may be arrived at to secure such an elasticity of the currency as will keep employed all the industries of the country, and prevent such an inflation as will put off indefinitely the resumption of specie payment, an object devoutly to be wished for by all, and none more earnestly than the class of people most directly interested, those who are their bread by the sweat of their brow. The decision of congress on this subject will have the hearty support of the executive.

OUR MYTHICAL MARINE. In previous messages I have called attention to the decline in American ship building and recommended such legislation as would secure to us our proportion of the carrying trade. Stimulated by high rates and abundance of freight, the progress for the last year in ship building has been very satisfactory. There has been an increase of about three per cent, in the amount transported in American vessels over the amount of last year. With the reduced cost of material which has taken place, it may reasonably be hoped that this change will be maintained and even increased. However, as we pay about eighty million dollars per annum to foreign vessels for the transportation of our surplus products to a market, thus increasing the balance of trade against us to that amount, the subject is one worthy of your serious consideration.

CHEAP TRANSPORTATION is a subject that has attracted the attention of both producers and consumers for the past few years and has contributed to it, if it has not been the direct cause of, the recent panic a stringency. As congress at its last session appointed a special committee to investigate this whole subject during the vacation and report to this session, I have nothing to recommend until their report is ready.

SMALL FAVORS THANKFULLY RECEIVED. There is one work, however, of a national character in which the greater portion of the east and west, the north and south are equally interested, to which I will invite your attention. The state of New York has a canal connecting lake Erie with tide water on the Hudson river. The state of Illinois has a similar one connecting lake Michigan with navigable water on the Illinois river, thus making water communication inland between the east and the west and south. These great artificial water courses are the property of the states through which they pass and pay toll to those states. Would it not be wise statesmanship to pledge to use states that if they will open these canals for the passage of large vessels the government will look after and keep in navigable condition the great public highways with which they connect, to-wit: the overland on the Hudson, the St. Clair flats and the Illinois and Mississippi rivers? This would be a national work and one of great value to the producers of the west and south in giving them cheap transportation for their produce to the seaboard, and a market to the consumers in the east, in giving them cheaper delivery of those articles of food which do not find a foreign market, and the prices of which, therefore, are not regulated by foreign demand. The advantages of such a work are too obvious for argument. I submit the subject to you, therefore, without further comment.

NAVIGATING THE AMAZON. In attempting to regain our lost commerce and carrying trade, I have heretofore called attention to the states south of the United States as offering a field where much might be accomplished. To further this object, I suggest a small appropriation be made accompanied with authority for the secretary of the navy to fit out a naval vessel to ascend the Amazon river where the mouth of the Madeira enters, thence to explore that river and its tributaries into Bolivia, and to report to congress at its next session or as soon as practicable the accessibility of the country by water, its resources and the population so reached. Such an exploration will cost but little. It can do no harm and may result in establishing a trade of value to both nations.

In further connection with the treasury department, I would recommend a revision and codification of the tariff laws, and the opening of more mints for coining money, with authority to coin for such nations as may apply.

THE WAR DEPARTMENT.

The attention of congress is invited to the recommendations in the report of the secretary of war, herewith accompanying. The apparent great cost of supporting the academy of arts, explained in the report, and it will receive your attention. While inviting your great attention to all the recommendations made by the secretary of war, there are two which I would especially invite you to consider:

First. The importance of preparing for war in time of peace by providing the proper armament for our sea-coast defense. A proper armament is of vast importance than fortifications. The latter can be supplied very speedily for a temporary purpose when needed. The former cannot.

The second is the necessity of re-opening promotion in the staff corps of the army. Particularly is this necessary felt in the medical, pay and ordnance departments. At this time it is necessary to employ contract surgeons to supply the necessary medical attention required by the army. With the present force of the pay department, it is now difficult to make the payments to troops provided by law. Long delays in payments are productive of desertions and demoralization of the troops. There are now sixteen vacancies in the ordnance department, thus leaving that branch of the service without sufficient officers to conduct the business of the different arsenals on a large scale, if ever required.

THE NAVAL DEPARTMENT. During the past year the navy has been reduced by the sale of some vessels no longer fit for naval purposes, and by the condemnation of others not yet disposed of. This, however, has been more than compensated for by the repair of six of the old wooden ships and by the building of eight new sloops-of-war authorized by the last congress. The building of these latter has occurred at a doubly favorable time. They are about being completed, when they will possibly be much needed, and the work upon them has not only given employment to thousands of men, but has not doubt been the means of keeping open the establishments for other works at a time of great financial distress.

Since the commencement of last month, however, the distressing occurrences which have taken place in the Caribbean sea, almost on our very seaboard, while they illustrate most forcibly the necessity always existing, that a nation situated as ours, should maintain in a state of efficiency a navy equal to its responsibilities, has at the same time demanded that all the effective force we really have shall be put in immediate service. This has been, and is being done promptly and effectively, and I am assured that all the available ships, and every authorized man of the American navy will be ready for whatever action is required for

THE SAFETY OF OUR SHIPS, or the maintenance of our honor. This, of course, it may be necessary the expenditure in a short time of some of the appropriations which were calculated to extend through the fiscal year, but congress will, I doubt not, understand and appreciate the emergency, and will provide adequately not only for the present, but for the future.

The secretary of the navy has during the past year been quickly putting some of the most extensive monitors in condition for service; and thus the exigency finds us in a much better condition for work than we could possibly have been without his action.

THE POSTOFFICE. A complete exhibit is presented in the accompanying report of the postmaster-general of the operations of the post-office department during the year. The ordinary postal revenues for the fiscal year ending June 30, 1873, amounted to \$22,995,741.57, and the expenditures of all kinds to \$26,084,945.67. The increase in the revenue for 1873 was \$1,081,315.50, and the increase in expenditures \$246,587.36. Independent of payments made from special appropriation for mail ocean ship lines, the amount drawn from the general treasury to meet the deficit was \$246,547.55. The constant and rapid extension of our postal service, particularly upon the railroad, and the improved facilities for the collection, transmission, distribution and delivery of the mails which are constantly being provided, account for the increased expenditures of this popular branch of the public service.

PROFITABLE. The total number of postoffices in operation on the 30th of June, 1873, was 32,244, a net increase of 1,381 over the number reported the preceding year. The number of presidential offices was 1,363, an increase of 163 during the year. The total length of the railroad mail routes at the close of the year was 6,345,770, an increase of 55,466 miles over the year 1872. Fifty-nine railway postoffice lines were in operation on the 30th of June, 1873, extending over 14,866 miles of railroad routes and performing an aggregate service of 34,925 miles. The number of letters exchanged with foreign countries was 27,450,155, an increase of 999,685 over the previous year, and the postage thereon amounted to \$2,021,310.85, and the total weight of correspondence exchanged in the mails with European countries exceeded 912 tons, an increase of 92 tons over the previous year, at a total cost of United States ocean mail steamship service, including \$735,900 paid from special appropriations to subsidized lines of mail steamers, of \$1,047,271.35.

New or additional postal connections have been concluded with Sweden, Norway, Belgium, Germany, Canada, Newfoundland and Japan, reducing the postal rates on the correspondence exchanged with these countries. Efforts have been made to conclude a satisfactory postal convention with France, but without success.

RECOMMENDATIONS—POSTAL SAVINGS. I invite the favorable consideration of congress to the suggestions and recommendations of the postmaster

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